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LINCOLN GENERAL HOSPITAL, INC.

RUSTON, LOUISIANA

FINANCIAL REPORT

APRIL 30, 1994 & 1993

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date NOV 02 1994

ROBERT E. HOLLADAY III  
CERTIFIED PUBLIC ACCOUNTANT

LINCOLN GENERAL HOSPITAL, INC.

RUSTON, LOUISIANA

FINANCIAL REPORT

APRIL 30, 1994 & 1993

LINCOLN GENERAL HOSPITAL, INC.

FINANCIAL REPORT

YEAR ENDED APRIL 30, 1994

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LINCOLN GENERAL HOSPITAL, INC.

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LINCOLN GENERAL HOSPITAL, INC.

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FINANCIAL SECTION

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MEMBER  
AMERICAN INSTITUTE OF CPAS  
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Independent Auditor's Report

To the Board of Directors  
Lincoln General Hospital, Inc.  
P. O. Drawer 1368  
Ruston, LA 71273-1368

I have audited the accompanying financial statements of Lincoln General Hospital, Inc. (a nonprofit corporation) as of and for the year ended April 30, 1994, and the combining and individual fund financial statements of the Hospital as of and for the years ended April 30, 1994 and 1993, as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln General Hospital, Inc., as of April 30, 1994, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles. Also, in my opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of Lincoln General Hospital, Inc., as of April 30, 1994 and 1993, and the results of operations of such funds and the cash flows of the individual proprietary funds for the years then ended in conformity with generally accepted accounting principles.

  
R. E. Holladay III, CPA

Ruston, Louisiana  
August 5, 1994

FINANCIAL STATEMENTS

LINCOLN GENERAL HOSPITAL, INC.  
COMBINED BALANCE SHEET - ALL FUND TYPES  
APRIL 30, 1994

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Funds Expendable Trust Fund</u>	<u>Memorandum Only</u>
<b>ASSETS</b>				
Cash	\$ 462,633	\$ 170,998	\$ 1,939	\$ 635,570
Investments at Cost	1,199,503	572,668		1,772,171
Assets Whose Use is Limited and are Required for Current Liabilities	66,099		242,694	308,793
Patient Accounts Receivable Net of Allowances of \$5,861,683	5,046,769			5,046,769
Estimated Third-Party Payor Settlements	592,727			592,727
Other Accounts Receivable	4,892	5,359		10,251
Due From Other Funds	201,233	110,319		311,552
Inventories	1,166,574			1,166,574
Prepaid Expenses	265,181	9,703		274,884
Deferred Federal Income Tax Benefit		1,467		1,467
Investment in Partnership		213,356		213,356
Investment in NurseSource, Inc.		81,050		81,050
Assets Whose Use is Limited by Board for Capital Improvements	3,314,276			3,314,276
Property & Equipment-Net	9,049,382			9,049,382
Prepaid Pension Cost	1,302,115			1,302,115
Deposits	208			208
Organization Cost	<u>13,544</u>	<u>6,428</u>		<u>19,972</u>
<b>TOTAL ASSETS</b>	<b><u>\$22,685,136</u></b>	<b><u>\$ 1,171,348</u></b>	<b><u>\$ 244,633</u></b>	<b><u>\$24,101,117</u></b>

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
COMBINED BALANCE SHEET - ALL FUND TYPES  
APRIL 30, 1994

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Funds Expendable Trust Fund</u>	<u>Memorandum Only</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 675,500	\$ 114,651		\$ 790,151
Estimated Health Claims Incurred but not Reported		98,257		98,257
Current Installments of Debt & Capital Lease Obligations	32,890			32,890
Accrued Liabilities	1,194,301	2,971		1,197,272
Due to Other Funds	188,196	123,356		311,552
Deferred Revenue	2,925			2,925
Long-Term Debt & Capital Lease Obligations Excluding Current Installments	<u>55,925</u>			<u>55,925</u>
<b>TOTAL LIABILITIES</b>	<u>2,149,737</u>	<u>339,235</u>		<u>2,488,972</u>
<b>FUND EQUITY</b>				
Common Stock - No Par Value 1,000 Shares Authorized 300 Shares Issued and Outstanding	56,530			56,530
Retained Earnings Reserved for Capital Improvements	3,314,276			3,314,276
Reserved for Health Claims		607,087		607,087
Unreserved	17,164,593	225,026		17,389,619
Fund Balances Reserved for Scholarships			244,633	244,633
<b>TOTAL FUND EQUITY</b>	<u>20,535,399</u>	<u>832,113</u>	<u>244,633</u>	<u>21,612,145</u>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<u>\$22,685,136</u>	<u>\$ 1,171,348</u>	<u>\$ 244,633</u>	<u>\$24,101,117</u>

(Concluded)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
EXPENDABLE TRUST FUND  
MARY B. JARRELL SCHOLARSHIP FUND  
YEARS ENDED APRIL 30, 1994 & 1993

	<u>Year Ended April 30</u>	
	<u>1994</u>	<u>1993</u>
<u>Revenues</u>		
Income from Investments	\$ 6,617	\$ 7,352
Contributions	<u>461</u>	<u>          </u>
Total Revenues	<u>7,078</u>	<u>7,352</u>
<u>Expenditures</u>		
Scholarships Paid	5,110	11,890
Investment Management Account Fees	<u>40</u>	<u>40</u>
Total Expenditures	<u>5,150</u>	<u>11,930</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,928	( 4,578)
FUND BALANCE, BEGINNING	<u>242,705</u>	<u>247,283</u>
FUND BALANCE, ENDING	<u>\$ 244,633</u>	<u>\$ 242,705</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
COMBINED STATEMENT OF REVENUES, EXPENSES, & CHANGES  
IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES  
YEAR ENDED APRIL 30, 1994

	<u>Proprietary Fund Types</u>		<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Memorandum Only</u>
<b><u>OPERATING REVENUES</u></b>			
Net Patient Service Revenues	\$31,379,730		\$31,379,730
Other Operating Revenues	578,352		578,352
Income from Partnership		\$ 116,320	116,320
Employer Contributions		1,091,246	1,091,246
Employee Contributions		217,660	217,660
Refunds on Claims Paid		9,441	9,441
Specific Loss Reimbursement		27,963	27,963
<b>TOTAL OPERATING REVENUES</b>	<b>31,958,082</b>	<b>1,462,630</b>	<b>33,420,712</b>
<b>OPERATING EXPENSES</b>	<b>32,282,251</b>	<b>993,906</b>	<b>33,276,157</b>
<b>OPERATING INCOME (LOSS)</b>	<b>( 324,169)</b>	<b>468,724</b>	<b>144,555</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	<b>( 30,113)</b>	<b>4,643</b>	<b>( 25,470)</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>( 354,282)</b>	<b>473,367</b>	<b>119,085</b>
<b>INCOME TAX BENEFIT</b>		<b>1,170</b>	<b>1,170</b>
<b>NET INCOME (LOSS)</b>	<b>( 354,282)</b>	<b>474,537</b>	<b>120,255</b>
(Increase) in Retained Earnings			
Reserved for Capital Improvements	( 2,087,370)		( 2,087,370)
Reserved for Health Claims		( 388,591)	( 388,591)
<b>NET CHANGE IN UNRESERVED RETAINED EARNINGS</b>	<b>( 2,441,652)</b>	<b>85,946</b>	<b>( 2,355,706)</b>
<b>RETAINED EARNINGS - UNRESERVED, BEGINNING</b>	<b>19,606,245</b>	<b>139,080</b>	<b>19,745,325</b>
<b>RETAINED EARNINGS - UNRESERVED, ENDING</b>	<b>17,164,593</b>	<b>225,026</b>	<b>17,389,619</b>
<b>RETAINED EARNINGS - RESERVED BEGINNING</b>	<b>1,226,906</b>	<b>218,496</b>	<b>1,445,402</b>
<b>NET CHANGE IN RESERVED RETAINED EARNINGS</b>	<b>2,087,370</b>	<b>388,591</b>	<b>2,475,961</b>
<b>RETAINED EARNINGS - RESERVED, ENDING</b>	<b>3,314,276</b>	<b>607,087</b>	<b>3,921,363</b>
<b>TOTAL RETAINED EARNINGS</b>	<b>\$20,478,869</b>	<b>\$ 832,113</b>	<b>\$21,310,982</b>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED APRIL 30, 1994

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Totals Memorandum Only</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income (Loss)	(\$ 354,282)	\$ 474,537	\$ 120,255
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Amortization of Organization Cost	967	6,428	7,395
Depreciation	1,600,918		1,600,918
Provision for Bad Debts	2,195,613		2,195,613
Loss on Disposal of Equipment	91,528		91,528
Changes in Assets and Liabilities:			
(Increase) in Deferred Tax Benefit		( 1,467)	( 1,467)
Decrease in Patient Accounts Receivable	781,193		781,193
Decrease in Accounts Receivable Other	1,828	1,800	3,628
(Increase) in Third Party Payor Settlements	( 119,039)		( 119,039)
(Increase) in Accrued Interest, LGG, Inc. Note	( 1,638)		( 1,638)
(Increase) in Inventories	( 76,769)		( 76,769)
(Increase) in Due from Lincoln General Hospital, Inc. for Plan Contributions		( 11,700)	( 11,700)
(Increase) in Prepaid Expenses	( 132,201)	( 9,703)	( 141,904)
Decrease in Prepaid Pension Costs	26,857		26,857
(Decrease) in Accounts Payable	( 710,486)		( 710,486)
Increase in Accrued Payroll & Related Liabilities	154,706		154,706
(Increase) in Deposits	( 208)		( 208)
Increase in Due to Employee Group Health & Life Ins Plan #501	11,106		11,106
Increase (Decrease) in Other Accrued Liabilities	8,308	( 6,517)	1,791
Increase in Health Claims Payable		44,105	44,105
(Decrease) in Estimated Health Claims Incurred but not Reported		( 57,497)	( 57,497)
Total Adjustments	<u>3,832,683</u>	<u>( 34,551)</u>	<u>3,798,132</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>3,478,401</u>	<u>439,986</u>	<u>3,918,387</u>

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED APRIL 30, 1994

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Totals Memorandum Only</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Investment in NurseSource		(\$ 81,050)	(\$ 81,050)
Investment in Partnership		( 36,320)	( 36,320)
<b>NET CASH PROVIDED BY (USED) FOR INVESTING ACTIVITIES</b>	<b>(\$ -0- )</b>	<b>( 117,370)</b>	<b>( 117,370)</b>
<b><u>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</u></b>			
Acquisition & Construction of Capital Assets	( 1,171,132)		( 1,171,132)
Proceeds from Sale of Equipment	29,880		29,880
(Increase) in Assets Whose Use is Limited	( 1,516,346)		( 1,516,346)
Organization Cost	( 14,511)		( 14,511)
Collection on LGG, Inc. Note	12,000		12,000
Payment on Note to Lin Gen Hosp		( 12,000)	( 12,000)
Loan to LGG, Inc.	( 83,050)		( 83,050)
Loan from Lincoln Gen Hospital		83,050	83,050
Loan to NurseSource Home Care	( 77,877)		( 77,877)
Loan from Lincoln Gen Hospital Common Stock	77,877		77,877
	56,530		56,530
Principal Payments on Long-Term Debt	( 12,662)		( 12,662)
Payments on Capital Lease Obligations	( 21,427)		( 21,427)
<b>NET CASH PROVIDED (USED) BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>( 2,720,718)</b>	<b>71,050</b>	<b>( 2,649,668)</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>757,683</b>	<b>393,666</b>	<b>1,151,349</b>
<b>CASH &amp; CASH EQUIVALENTS - MAY 1, 1993</b>	<b>904,453</b>	<b>350,000</b>	<b>1,254,453</b>
<b>CASH &amp; CASH EQUIVALENTS - APRIL 30, 1994</b>	<b>\$ 1,662,136</b>	<b>\$ 743,666</b>	<b>\$ 2,405,802</b>
<b><u>Supplemental Disclosures of Cash Flow Information</u></b>			
<b>Cash Paid During the Year For:</b>			
Income Taxes	\$ -0-	\$ 18,155	\$ 18,155
Interest	\$ 7,583	\$ 4,712	\$ 12,295

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 1994 & 1993

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The following Notes to Financial Statements are an integral part of the Hospital's Financial Report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization - Financial Reporting Entity

Lincoln General Hospital, Inc. was incorporated in 1962 as a not-for-profit general short-term hospital.

As required by generally accepted accounting principles, the financial statements of the Hospital include those of Lincoln General Hospital, Inc., LGG, Inc., and NurseSource Home Care, Inc. The financial statements of LGG, Inc. and NurseSource Home Care, Inc. are blended with the Hospital's financial report because of the significance of their operational and financial relationships with the Hospital.

LGG, Inc., an entity legally separate from the Hospital, is organized on a nonstock basis with membership available to nonprofit general acute care licensed hospitals located and operating in Lincoln Parish, Louisiana with Lincoln General Hospital, Inc. as the only member of the corporation. LGG, Inc. is governed by a seven-member board elected annually by the member corporation, Lincoln General Hospital, Inc.

On January 4th, 1991, LGG, Inc. entered into a partnership, Ruston Outpatient Physical Therapy Services, with Phycor of Ruston, Inc. on a 50/50 basis. On January 7th, 1991, Ruston Outpatient Physical Therapy Services executed an agreement for professional services with Lincoln General Hospital, Inc. to provide physical therapy services to Lincoln General Hospital.

On January 5, 1994, LGG, Inc. acquired NurseSource Home Care, Inc., an entity legally separate from the hospital.

On January 5, 1994, NurseSource Home Care, Inc. executed an agreement for professional services with Lincoln General Hospital, Inc. to provide home care medical services to patients.

B. Basis of Presentation - Fund Accounting

The accounts of Lincoln General Hospital, Inc. are organized on the basis of funds, each of which is considered a separate accounting entity. The Hospital has created two types of funds. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, retained

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1994 & 1993

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Basis of Presentation - Fund Accounting (cont'd)

earnings or fund balance, revenues and expenditures/expenses. The individual funds account for the Hospital's resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

Proprietary Fund Types - These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are the Enterprise Funds and Internal Service Funds.

Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds - These funds are established to account for the financing of services provided by one fund to another fund or to employees of other funds of the Hospital on a contributory or cost reimbursement basis.

Fiduciary Fund Types - These funds account for assets held by the Hospital as a trustee for individuals. These funds are as follows.

Expendable Trust Fund - This fund is used to account for funds that are to be used for nursing scholarships as specified by the donor.

Basis of Accounting - The accounts of the Hospital are maintained on the accrual basis in accordance with the system of accounts prescribed by the American Hospital Association.

C. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the Enterprise funds of the Hospital. The Hospital is not legally required to adopt a budget and no budgetary information is presented in this financial report.

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1994 & 1993

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D. Assets Whose Use Is Limited

Assets whose use is limited include: assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

E. Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

F. Investments and Investment Income

Investment securities are stated at cost which approximates market value.

Investment income of all funds is reported as non-operating revenue.

G. Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

H. Inventories

Inventories of drugs and other supplies are stated at cost (first-in, first-out) which approximates market.

I. Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair value on the date of receipt.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary fund's balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1994 & 1993

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

J. Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

K. Income Taxes

Lincoln General Hospital, Inc. is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The exempt status was granted by letter from the Internal Revenue Service dated November 18, 1963.

The Hospital is also exempt from Louisiana Income Tax since it is organized as a non-profit corporation under the laws of the State of Louisiana.

Beginning with the year ended April 30, 1994, LGG, Inc. filed a consolidated Federal Income Tax return with its wholly owned subsidiary, NurseSource Home Care, Inc. LGG, Inc., a non-profit corporation, is exempt from Louisiana Income Tax.

Income taxes on LGG, Inc. and NurseSource Home Care, Inc. are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes (benefits). Deferred tax benefits are recognized for deductible temporary benefits and relate primarily to a contribution carryover. The deferred tax asset represents the future tax return consequences of this deductible difference. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are provided to reduce deferred tax assets to the amount that is more likely than not to be realized.

L. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by board designation.

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1994 & 1993

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

M. Accounts Receivable

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Bad debts are provided on the allowance method based on historical experience and management's evaluation of patient accounts receivable.

N. Fund Equity

Unreserved Retained Earnings and Fund Balances represent the net assets available for future operations. Reserved Retained Earnings and Fund Balances represent the net assets that have been identified for specific purposes.

O. Memorandum Only Total Columns & Comparative Data

The Combined Financial Statements include total columns that are described as memoranda only. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Hospital's financial position and operation. However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) have not been presented since their inclusion would make the statements unduly complex and difficult to understand.

P. Reclassifications

Certain prior year amounts have been reclassified in order to conform with current year presentation.

2. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors.

A summary of the basis of reimbursement with major third-party payors follows:

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1994 & 1993

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2. NET PATIENT SERVICE REVENUE (CONT'D)

Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services, and defined capital costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicaid fiscal intermediary.

Effective July 1, 1994, Inpatient Medicaid reimbursement methodology will change from cost reimbursement to a fixed per diem methodology.

The Hospital's Medicare and Medicaid Cost Reports have been audited by the Medicare fiscal intermediary through April 30, 1993.

Charity Care

The Hospital follows regulations established by the U. S. Department of Health, Education and Welfare relating to uncompensated care obligations for Hill-Burton hospitals. Services provided by the Hospital will be made available to patients asking for and qualifying for uncompensated care. DHEW's poverty income guidelines are used in determining the patient's eligibility and the individual amount of uncompensated care to be given. The amounts charged to Charity were \$963,315 and \$830,043 for 1994 and 1993, respectively. These amounts were deducted in arriving at Net Patient Service Revenue.

3. INVESTMENT SECURITIES

Investment Management Accounts are authorized by the Board of Directors and are invested in Trust for U.S. Treasury Obligations by the Hospital's agents at various financial institutions. The carrying amounts are at cost which approximates market values. Investment securities are summarized as follows:

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1994 & 1993

3. INVESTMENT SECURITIES (CONT'D)

	April 30	
	1994	1993
<u>Lincoln General Hospital, Inc.</u>		
<u>Current Assets</u>		
Investment Management Accounts	\$ 1,199,503	\$ 558,117
<u>Limited for Capital Improvements</u>		
Investment Management Accounts	3,380,375	1,864,029
<u>Employee Group Health &amp; Life</u>		
<u>Insurance Plan #501</u>		
Investment Management Account	572,668	265,062
<u>Mary B. Jarrell Scholarship Fund</u>		
Investment Management Account	242,694	236,117
TOTALS	\$ 5,395,240	\$ 2,923,325

The investment securities are classified as to credit risk by the category described below:

Category 1 - Insured or registered, or securities held by the Hospital or its agent in the Hospital's name.

<u>Description</u>	<u>Category 1</u>	<u>Carrying Value</u>	<u>Market Value</u>
Investment Management Accounts	\$5,395,240	\$5,395,240	\$5,395,240

4. OTHER ACCOUNTS RECEIVABLE

Other accounts receivable at April 30, 1994 and 1993, are summarized as follows:

	April 30	
	1994	1993
<u>Lincoln General Hospital, Inc.</u>		
Accounts Receivable-Miscellaneous	\$ 3,147	
Employee Travel Advances		\$ 200
Returned Checks	1,745	1,370
Refund Receivable		5,150
TOTAL	\$ 4,892	\$ 6,720
 <u>LGG, Inc.</u>		
LA Income Tax Claim Receivable	\$ 5,359	\$ 7,159

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1994 & 1993

4. OTHER ACCOUNTS RECEIVABLE (CONT'D)

As of April 30, 1994, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Lincoln General Hospital, Inc.	\$ 201,233	\$ 109,725
LGG, Inc.		123,356
NurseSource Home Care, Inc.		78,471
Employee Group Health & Life Insurance Plan #501	<u>110,319</u>	
Totals	<u>\$ 311,552</u>	<u>\$ 311,552</u>

5. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

Estimated Third-Party Payor Settlements at April 30, 1994, are summarized below.

	<u>Medicare</u>	<u>Medicaid</u>	<u>Total</u>
<u>Receivables</u>			
Year Ended 4-30-92		\$ 127,216	\$ 127,216
Year Ended 4-30-93	\$ 144,851	119,971	264,822
Year Ended 4-30-94	<u>50,749</u>	<u>149,940</u>	<u>200,689</u>
Total	<u>\$ 195,600</u>	<u>\$ 397,127</u>	<u>\$ 592,727</u>

6. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at April 30, 1994 & 1993, is set forth below. Investments are stated at cost which approximates market.

	<u>April 30</u>	
	<u>1994</u>	<u>1993</u>
By board for capital improvements		
Investment Securities	<u>\$ 3,380,375</u>	<u>\$ 1,864,029</u>
TOTAL	<u>\$ 3,380,375</u>	<u>\$ 1,864,029</u>

LINCOLN GENERAL HOSPITAL, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 APRIL 30, 1994 & 1993

7. PROPERTY & EQUIPMENT

A summary of property and equipment at April 30, 1994 & 1993 follows:

Lincoln General Hospital, Inc.

	April 30	
	1 9 9 4	1 9 9 3
<u>Used in Operations</u>		
Land <sup>1</sup>	\$ 136,944	\$ 136,944
Land Improvements	147,378	151,463
Building Improvements	5,621,733	5,590,128
Equipment	8,736,450	9,493,600
Equipment Under Capital Leases	109,761	109,761
Computer Software	<u>812,422</u>	<u>601,225</u>
Total	15,564,688	16,083,121
Less Accumulated Depreciation	( <u>7,391,037</u> )	( <u>6,506,300</u> )
Net	8,173,651	9,576,821
Construction in Progress	<u>                    </u>	<u>214,498</u>
Total Used in Operations	<u>8,173,651</u>	<u>9,791,319</u>
<u>Not Used in Operations</u>		
Green Clinic Building & Lot <sup>2</sup>	1,382,000	1,382,000
Less Accumulated Depreciation	( <u>520,553</u> )	( <u>465,273</u> )
Net	<u>861,447</u>	<u>916,727</u>
Property & Equipment - Net	<u>\$ 9,035,098</u>	<u>\$10,708,046</u>

Additions to property and equipment totaled \$722,303 for the current year and \$2,010,688 for the prior year. Depreciation expense for years ended April 30, 1994 & 1993 was \$1,600,513 and \$1,509,263, respectively.

NurseSource Home Care, Inc.

Used in Operations

Equipment	\$ 14,689
Less Accumulated Depreciation	( <u>405</u> )
Net	<u>\$ 14,284</u>

<sup>1</sup> Includes donated value of \$24,950

<sup>2</sup> Includes donated value of \$1,382,000

LINCOLN GENERAL HOSPITAL, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 APRIL 30, 1994 & 1993

7. PROPERTY & EQUIPMENT (CONT'D)

Additions to property and equipment totaled \$14,689 for the current year. Depreciation expense was \$405.

The Hospital has entered into agreements for the purchase of equipment and construction. Outstanding commitments as of April 30, 1994 and 1993, were approximately:

	April 30	
	1994	1993
Equipment	\$ 54,920	\$ 76,500
Construction		39,550
Total	\$ 54,920	\$ 116,050

8. LONG-TERM DEBT & CAPITAL LEASES

A summary of long-term debt and capital leases at April 30, 1994 & 1993 follows:

	April 30	
	1994	1993
<u>Long-Term Debt</u>		
Financing agreement payable to Alcon Surgical, Inc. payable by procedural financing costs of \$48.08, each procedure, effective annual interest rate at 8.00%, final payment due approximately May, 1995, collateralized by Surgical Equipment, with a net book value of \$32,211 & \$37,104 at April 30, 1994 & 1993, respectively.	\$ 16,472	\$ 29,134
Less Current Installments of Long-Term Debt	12,354	17,567
Long-Term Debt Excluding Current Installments	\$ 4,118	\$ 11,567

LINCOLN GENERAL HOSPITAL, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 APRIL 30, 1994 & 1993

8. LONG-TERM DEBT & CAPITAL LEASES (CONT'D)

	<u>April 30</u>	
	<u>1994</u>	<u>1993</u>
<u>Capital Leases</u>		
Capital Lease Obligations at 6.0% & 8.0% imputed interest rates collateralized by leased equipment with an amortized cost of \$75,432 & \$95,280 at April 30, 1994 & 1993, respectively.	\$ 72,343	\$ 93,769
Less current installments of Capital Lease Obligations	20,536	21,902
Capital Lease Obligations excluding current installments	\$ 51,807	\$ 71,867

Scheduled principal repayments on long-term debt and payments on capital lease obligations are as follows:

<u>Year Ended April 30</u>	<u>Long-Term Debt</u>	<u>Obligations Under Capital Leases</u>
1995	\$ 4,118	\$ 23,948
1996	- 0 -	21,725
1997	- 0 -	16,673
1999	- 0 -	16,673
1998	- 0 -	1,389
Total	\$ 4,118	80,408
Less Amount Representing Interest Obligations Under Capital Leases		( 8,065)
Total		\$ 72,343

Interest costs included in Lincoln General Hospital, Inc. expenses for 1994 and 1993 were \$7,583 and \$9,053, respectively.

LINCOLN GENERAL HOSPITAL, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 APRIL 30, 1994 & 1993

9. PENSION PLAN

The Hospital has a defined benefit pension plan covering eligible employees who elect to make member contributions. The benefits are based on years of service and the employees' compensation during the five consecutive Plan Years of highest earnings during the last ten consecutive Plan Years of employment ending immediately before the earlier of retirement date or termination of employment.

The Hospital makes contributions to the plan which are carried in the financial statements as net periodic pension cost or prepaid pension cost in accordance with SFAS 87. Employees also contribute 3% of total earnings during each month of a Plan Year. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The actuarially computed net periodic pension cost for the years ended April 30, 1994 & 1993, includes the following components:

	Year Ended April 30	
	1994	1993
Service Cost Benefits Earned During the Year	\$ 299,066	\$ 210,697
Interest Cost on Projected Benefit Obligation	684,454	560,311
Actual Return on Plan Assets	( 630,802 )	( 594,835 )
Net Amortization and Deferral	( 16,441 )	( 1,071 )
Net Periodic Pension costs	\$ 336,277	\$ 175,102

Assumptions Used in the Accounting for  
 Net Periodic Pension Costs Were:

	Year Ended April 30	
	1994	1993
Discount Rates	8.0%	8.0%
Rates of Increase in Compensation Levels	6.0%	6.0%
Expected Long-Term Rate of Return on Assets	8.0%	8.0%

LINCOLN GENERAL HOSPITAL, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 APRIL 30, 1994 & 1993

9. PENSION PLAN (CONT'D)

The following table sets forth the plan's funded status of amounts recognized in the Hospital's financial statements at April 30, 1994 & 1993.

	<u>April 30</u>	
	<u>1 9 9 4</u>	<u>1 9 9 3</u>
Actuarial Present Value of Benefit Obligations:		
Vested Benefit Obligations	\$ 7,121,602	\$ 6,445,394
Nonvested Benefit Obligation	<u>113,855</u>	<u>52,332</u>
Accumulated Benefit Obligation	7,235,457	6,497,726
Effect of Projected Future Compensation Levels	<u>1,923,692</u>	<u>2,171,769</u>
Estimated Projected Benefit Obligation	9,159,149	8,669,495
Plan Assets at Fair Value	<u>9,206,500</u>	<u>8,476,303</u>
Funded Status--Plan Assets in Excess (Deficiency) of Projected Benefit Obligation	47,351	( 193,192)
Unrecognized Net Gain from Past Experience Different from that Assumed	( 277,992)	( 349,640)
Prior Service Cost Not Yet Recognized in Net Periodic Costs	787,029	896,042
Unrecognized Net (Gain) or Loss Occurring During the Year	<u>745,727</u>	<u>975,762</u>
Prepaid Pension Costs	<u>\$ 1,302,115</u>	<u>\$ 1,328,972</u>

10. COMPENSATED ABSENCES

Paid Time Off Plan

Effective November 1, 1989, the Hospital established a Paid Time Off Plan which combines traditional days off such as vacation, holidays, funeral leave and short illness into one program offering the employee more flexibility.

Paid Time Off is a plan that provides more time for the employee's personal use. The Paid Time Off (PTO) Plan covers both full time and part-time employees on a prorata basis. Part-time employees working less than 87 hours per month are not eligible for PTO benefits.

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1994 & 1993

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10. COMPENSATED ABSENCES (CONT'D)

Paid Time Off Plan (cont'd)

PTO is earned in hours each month. PTO may be accrued to a maximum of twice the annual benefit allowed. It covers virtually any absence including holidays, vacation, personal leave, illness of family members, funeral leave, mental health days and employee's own short term illness, etc.

Compensated absences under the Paid Time Off Plan do vest and accumulate with the appropriate accrual therefor recorded in the accounts. The total liability at April 30, 1994 and 1993, was \$644,410 and \$593,024, respectively.

Extended Illness Days Plan

Also effective November 1, 1989, the Hospital established an Extended Illness Days (EID) Plan which represents a form of short term disability insurance for the employee when he/she is off work because of his/her own illness. The first five work days (40 work hours) of an illness are not covered by this plan which is only available for full time employees and weekend option employees.

Unlike PTO, EID's are paid only if the employee is ill for more than five consecutive work days. EID's are accrued at the rate of 2 hours per month, or 52 hours per year. These may accrue to a maximum of 480 hours.

Compensated absences under the Extended Illness Days Plan do vest and accumulate, but no accrual therefore is recorded in the accounts.

11. LEASE COMMITMENTS

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred.

On July 27, 1993, the Lincoln Parish Police Jury, owner of the Hospital, adopted a resolution to issue \$7,000,000 of fifteen (15) year Hospital Revenue Bonds to finance the acquisition, construction and equipping of improvements, renovations, additions and expansions to the Hospital. The bonds were sold on August 24, 1993, with an interest rate of 4.61% for the first five years. The interest rate will be adjusted for the subsequent second and third five year periods.

LINCOLN GENERAL HOSPITAL, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 APRIL 30, 1994 & 1993

11. LEASE COMMITMENTS (CONT'D)

The Bonds are payable as to principal and interest solely from a dedication and pledge of the net income and revenues derived or to be derived from the operation of the Hospital subject to the prior pledge of the income and revenues of the Hospital for the payment of the reasonable and necessary expenses of operating and maintaining the Hospital as defined in the Bond Resolution.

The Lincoln Parish Police Jury leases the Hospital to Lincoln Public Benefit Corporation (LPBC) who in turn subleases the Hospital to Lincoln General Hospital, Inc. for operation.

On August 20, 1993, Lincoln General Hospital executed an Amended and Restated Sublease and Operating Agreement with Lincoln Public Benefit Corporation to sublease the Hospital, effective August 1, 1993. The term of the sublease commenced on September 1, 1982 (the date of execution of the original Sublease and Operating Agreement) and extends through August 1, 2008. Rental commitments are as follows:

1. Basic rental (Basic Lease Payments) of \$10,000 is payable per month in advance for the term of the lease and operating agreement.
2. Additional rent (additional Lease Payments) is payable in an amount sufficient to timely pay principal and interest on the \$7,000,000 of Hospital Revenue Bonds cited above.

Interest is payable semiannually on January 1 and July 1 of each year, and commenced on January 1, 1994.

Principal shall mature in installments in the following amounts and on the following dates:

<u>Maturity Date</u>	<u>Annual Principal Installments</u>
July 1, 1994 through 1998	\$ 733,333
July 1, 1999 through 2008	333,333

3. Extraordinary rent (Extraordinary Lease Payments) is due the Lincoln Public Benefit Corporation by Lincoln General Hospital, Inc. in any amount reasonably required by the Lincoln Public Benefit Corporation or the Lincoln Parish Police Jury under the Bond Resolution or the sublease agreement including but not limited to any fees to paying agents or registrars for the bonds, accountants reports or certifications or attorneys fees.

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1994 & 1993

11. LEASE COMMITMENTS (CONT'D)

The following is a schedule by year of future minimum lease payments under operating leases as of April 30, 1994, that have initial or remaining lease terms in excess of one year.

Year Ending <u>April 30</u>	LPBC Basic Lease Payments	LPBC Additional Lease Payments	Other Minimum Lease Payments	Total Minimum Lease Payments
1995	\$ 120,000	\$ 1,053,335	\$ 62,880	\$ 1,236,215
1996	120,000	994,054	47,320	1,161,374
1997	120,000	960,248	6,750	1,086,998
1998	120,000	926,440		1,046,440
1999	120,000	892,638 <sup>3</sup>		1,012,638
2000-2009	<u>1,000,000</u>	<u>3,839,337<sup>3</sup></u>		<u>4,839,337</u>
Totals	<u>\$ 1,600,000</u>	<u>\$ 8,666,052</u>	<u>\$ 116,950</u>	<u>\$10,383,002</u>

Total rental expense for all operating leases for the years ended April 30, 1994 and 1993, was as follows:

Year Ending <u>April 30</u>	LPBC Basic Lease Payments	LPBC Additional Lease Payments	Other Rental Payments	Total Rental & Lease Payments
1994	<u>\$ 120,000</u>	<u>\$ 801,800</u>	<u>\$ 130,335</u>	<u>\$ 1,052,135</u>
1993	<u>\$ 120,000</u>		<u>\$ 145,232</u>	<u>\$ 265,232</u>

12. RELATED PARTY TRANSACTIONS

At April 30, 1994 and 1993, the Due to Lincoln General Hospital, Inc. from LGG, Inc., included promissory notes in the amount of \$121,050 and \$50,000, respectively, payable on demand with interest at 8% per annum. Accrued interest receivable at April 30, 1994 and 1993, on the above notes was \$2,306 and \$668, respectively. Interest paid by LGG, Inc. to Lincoln General Hospital, Inc. for years ended April 30, 1994 and 1993 was \$6,146 and \$4,434, respectively.

<sup>3</sup>Assumes Interest Rate of 4.61%

LINCOLN GENERAL HOSPITAL, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 APRIL 30, 1994 & 1993

12. RELATED PARTY TRANSACTIONS (CONT'D)

The Hospital expensed Physical Therapy fees to Ruston Outpatient Physical Therapy Services in the amount of \$176,646 and \$132,952 for the years ended April 30, 1994 and 1993. Included in accounts payable at April 30, 1994 and 1993, is \$14,238 and \$13,444, respectively, of the above expenses. Rental payments received from Ruston Outpatient Physical Therapy Services for use of the Hospital's facilities for outpatient procedures was \$9,409 for year ended April 30, 1994. Rental payments of \$7,057 to be paid annually was approved by the partnership.

LGG, Inc. expensed management fees to the Hospital in the amount of \$8,000 and \$7,500 for the years ended April 30, 1994 and 1993, respectively. Management fees in subsequent years of 10% of LGG's distribution received from Ruston Outpatient Physical Therapy Services was approved.

At April 30, 1994, the Due to Lincoln General Hospital, Inc. from NurseSource Home Care, Inc. included promissory notes in the amount of \$77,877 payable on demand with interest at 8% per annum.

NurseSource Home Care, Inc. expensed management fees to the Hospital in the amount of \$24,000 for the year ended April 30, 1994.

13. INCOME TAXES

For the year ended April 30, 1994, LGG, Inc. recorded a deferred Federal Income Tax benefit of \$1,467 against a current tax provision of \$297. The difference between the benefit and expense computed at the statutory rate is due primarily to a contribution carryover.

The following is a reconciliation of book income and taxable income for LGG, Inc., NurseSource Home Care, Inc. and Consolidated Income.

	<u>LGG, Inc.</u>	<u>NurseSource Home Care, Inc.</u>	<u>Consolidated Income</u>
Net Income (Loss) Before Provision for Federal & LA Income Tax	\$ 84,776	(\$ 94,291)	(\$ 9,515)
Nondeductible Expenses	1,715		1,715
Contribution Carryover	9,780		<u>9,780</u>
Taxable Income			<u>\$ 1,980</u>

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1994 & 1993

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13. INCOME TAXES (CONT'D)

NurseSource Home Care, Inc. has a loss carryover of \$94,291 that may be offset against future Louisiana taxable income. The loss expires in 2009. Deferred Louisiana income tax benefits of \$3,772 (computed at the statutory rate of 4%) net of a valuation allowance of \$3,772 would be -0- for the year ended April 30, 1994.

LGG, Inc., a LA non-profit corporation, is exempt from LA Income Tax as previously noted. However, it filed LA Income Tax Returns and paid LA Income Tax of \$3,300.00 and \$3,859.00 for the years ended April 30, 1993 and 1992. Claims for refund of the taxes paid have been filed.

The April 30, 1993, financial statement on LGG, Inc. included in this report for comparative purposes have been restated to eliminate the provision for LA Income Tax. The effect of this change was to increase net income and retained earnings and decrease current Federal and LA income tax expense by \$2596.00 and \$2548.00 for the years ended April 30, 1993 and 1992, respectively.

14. LITIGATION

The Hospital is involved in litigation arising from claims that have been asserted against the Hospital and are currently in various stages of litigation, the outcome of which is uncertain at the present time.

15. EMPLOYEE GROUP HEALTH AND LIFE INSURANCE PLAN #501

DESCRIPTION OF THE PLAN

The following description of the Lincoln General Hospital (Hospital) Employee Group Health & Life Insurance Plan #501 (Plan) provides only general information. Participants should refer to the Plan Document for a more complete description of the Plan's provisions.

- A. General The Plan provides medical and life insurance benefits covering substantially all employees of the Hospital. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).
- B. Benefits The Plan provides medical and life insurance benefits covering employees of the Hospital working not less than 24 hours per week. The Plan also provides medical benefits to employee dependents if the employee elects to make the required contribution. The Plan provides continuation of coverage to terminated employees and dependents who elect continuation of

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1994 & 1993

15. EMPLOYEE GROUP HEALTH AND LIFE INSURANCE PLAN #501 (CONT'D)

coverage and make the required contributions. The Group Life Insurance is fully insured. Life Insurance benefits, not to exceed \$100,000 or less than \$15,000, are determined from base earnings. Medical benefits and administrative costs are self-funded by the hospital.

- C. Contributions The Plan Document provides that the Plan is entirely voluntary on the part of the Employer, Lincoln General Hospital, Inc., and may be terminated by the employer at any time. The Plan Supervisor, Employee Benefit Services, Inc., makes periodic recommendations to the Hospital Board of Directors, concerning monthly deposit rates for employees covered and rates for those employees electing to make the required contribution for dependent and continuing coverage.

Deposits are calculated monthly based on the above rates and payments are made to the Plan Account to cover the Plan's financial obligations.

Employee contributions represent amounts withheld from or paid by employees or former employees for dependent or continuing coverage and are paid to the Plan account.

D. Accounting Policies

Plan Liabilities for health claims incurred but not reported as of April 30, 1994 and 1993, are estimated by the Plans Supervisor, Employee Benefit Services, Inc.

E. Plan Amendments

Effective July 1, 1993, the definition of employee was amended.

Effective August 5, 1993, eligibility and termination sections were amended for clarification and to add the Family Medical Leave Act Wording.

Effective August 10, 1993, sections concerning elections for continual coverage after termination of covered employee and covered dependents were updated and amended to reflect the Omnibus Budget Reconciliation Act of 1993 (OBRA '93).

Effective October 1, 1993, sections concerning the schedule of medical benefits and eligible medical expenses were amended to delete item F which limits the benefit for the treatment of AIDS and to clarify non-occupational illness or injury and spinal manipulative therapy.

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1994 & 1993

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15. EMPLOYEE GROUP HEALTH AND LIFE INSURANCE PLAN #501 (CONT'D)

E. Plan Amendments (Cont'd)

Effective October 1, 1993, sections concerning limitations and exclusions applicable to medical benefits were amended and restated to delete item 2, Chronic Brain Syndrome.

Effective October 1, 1993, sections concerning effects of medicare on benefits were updated and amended.

Effective October 1, 1993, definitions concerning Durable Medical Equipment and Termination of Employment were amended to clarify.

Effective January 1, 1994, the term Employer was amended to include NurseSource Home Care, Inc.

Effective February 25, 1994, the term "pre-existing condition" was clarified.

F. Excess Risk and Life Insurance Contracts

Lincoln General Hospital, Inc. has contracted with Guarantee Mutual Life Company for aggregate and specific excess risk insurance and life insurance.

G. Income Tax Status

A recent determination letter has not been obtained from the Internal Revenue Service. However, the Plan Administration believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

16. FUND EQUITY

Reservations of Retained earnings and fund balances are created to indicate that a portion or all the balance is segregated for a specific future use. Following is a list of all reserves used and a description of each.

Reserved for Capital Improvements - An account used to segregate a portion of retained earnings for capital expenditures in future years.

Reserved for Health Claims - An account used to segregate retained earnings for Health Claims payable for employees and beneficiaries in future years.

Reserved for Scholarships - An account used to segregate fund balance for Nursing Scholarships in future years.

LINCOLN GENERAL HOSPITAL, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 APRIL 30, 1994 & 1993

17. BOARD MEMBER COMPENSATION

No compensation was paid to any member of the boards of directors. Board members who served during the year ended April 30, 1994, are listed below.

<u>Board Member</u>	<u>Member of Board</u>			<u>Compensation</u>
	<u>Lincoln General</u>	<u>LGG, Inc.</u>	<u>NurseSource Home Care</u>	
Mr. Benny Denny	X			None
Mr. Wilbert Ellis	X	X	X	None
Mr. Don Faust	X	X	X	None
Mr. Charles M. Fuller	X			None
*Dr. Marvin Green, Jr.	X			None
*Mr. Glen Grigsby	X			None
Mrs. Delores Harris	X			None
Mr. Dan Hollingsworth	X			None
Mr. David Lewis		X	X	None
Mr. Ted McKinney	X			None
Dr. Randy McWorter	X			None
Dr. Larry Neal	X			None
*Mrs. Dawn Pinkston	X			None
**Mr. Phil Rice		X		None
Mr. Thomas W. Rogers	X	X	X	None
Mr. Reagan Sutton		X	X	None
Mr. Joseph R. Thomas	X	X	X	None
*Mr. Al Trammell	X			None
<u>Ex-Officio</u>				
Mr. H. F. Delony	X			None
Dr. Robert A. Francis	X			None

\*Member Retired April 30, 1994

\*\*Member Resigned August 1, 1993

18. CONCENTRATIONS OF CREDIT RISK & CREDIT RISK ARISING FROM DEPOSITS IN EXCESS OF INSURED LIMITS

The Hospital is located in Ruston, Lincoln Parish, Louisiana. The Hospital grants credit without collateral to its patients, most of whom are local area residents who are insured under third-party payor agreements. Revenues from patients and third-party payors were \$31,280,573 and \$31,146,499 for the years ended April 30, 1994, and 1993, respectively.

LINCOLN GENERAL HOSPITAL, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 APRIL 30, 1994 & 1993

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18. CONCENTRATIONS OF CREDIT RISK & CREDIT RISK ARISING FROM DEPOSITS  
 IN EXCESS OF INSURED LIMITS (CONT'D)

The Hospital maintains cash balances at several financial institutions located in Lincoln Parish, Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At April 30, 1994, the Hospital's uninsured cash balances total \$438,171.

19. SEGMENT INFORMATION - ENTERPRISE FUND

The Hospital maintains two funds which are intended to be self-supporting through user charges for goods and services provided to the general public for Hospital & Home Care. Financial segment information not presented in the financial statements is presented below.

	<u>NurseSource Home Care, Inc.</u>	<u>Lincoln General Hospital, Inc.</u>
Depreciation Expense	\$ 405	\$1,600,513
Property & Equipment		
Additions	14,689	722,303
Dispositions		1,240,735
Net Working Capital	( 65,797)	6,977,596

20. SUBSEQUENT EVENT

The Hospital is in the process of obtaining financing for the acquisition of Magnetic Resonance Imaging and Fluoroscopy Equipment. The estimated cost of the equipment and amount to be financed is approximately \$2,100,000.

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS

PROPRIETARY FUNDSEnterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the Hospital's Board is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Lincoln General Hospital, Inc.

This fund is used to account for the operations of the Hospital.

NurseSource Home Care, Inc.

This fund is used to account for the operations of NurseSource Home Care, Inc.

LINCOLN GENERAL HOSPITAL, INC.  
 ENTERPRISE FUND  
 COMBINING BALANCE SHEET  
 APRIL 30, 1994  
 WITH COMPARATIVE TOTALS FOR APRIL 30, 1993

	<u>LINCOLN GENERAL HOSPITAL, INC.</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 461,689
Investment Securities	<u>1,199,503</u>
Total Cash & Cash Equivalents	1,661,192
Assets Whose Use is Limited and are Required for Current Liabilities	66,099
Patient Accounts Receivable, less Allowance for Doubtful Accounts 1994 - \$2,886,728 & 1993 - \$2,476,000	
Allowance for Medicare & Medicaid Adjustments 1994 - \$2,974,955 & 1993 - \$2,458,000	5,020,304
Other Accounts Receivable	4,892
Due from LGG, Inc.	123,356
Due from NurseSource Home Care, Inc.	77,877
Estimated Third-Party Payor Settlements	592,727
Inventories @ Cost (FIFO)	1,166,242
Prepaid Expenses	<u>265,181</u>
Total Current Assets	<u>8,977,870</u>
<u>ASSETS WHOSE USE IS LIMITED</u>	
<u>By Board for Capital Improvements</u>	
Investment Securities	3,380,375
Less Assets Whose Use is Limited and That are Required for Current Liabilities	( <u>66,099</u> )
Noncurrent Assets Whose Use is Limited	<u>3,314,276</u>
PROPERTY & EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (1994 - \$7,911,995; 1993 - \$6,971,573)	<u>9,035,098</u>
<u>OTHER ASSETS</u>	
Prepaid Pension Costs	1,302,115
Organization Cost - Net Deposits	<u>                    </u>
Total Other Assets	<u>1,302,115</u>
<b>TOTAL ASSETS</b>	<b><u>\$22,629,359</u></b>

(Continued)

The accompanying notes are an integral part of this statement.

NURSESOURCE HOME CARE, INC.	TOTALS	
	April 30	
	1994	1993
\$ 944	\$ 462,633	\$ 346,336
<u>944</u>	<u>1,199,503</u>	<u>558,117</u>
	1,662,136	904,453
	66,099	637,123
26,465	5,046,769	6,916,105
	4,892	6,720
	123,356	50,668
	77,877	
	592,727	974,263
332	1,166,574	1,089,805
<u>27,741</u>	<u>265,181</u>	<u>132,979</u>
	9,005,611	10,712,116
	3,380,375	1,864,029
	(66,099)	(637,123)
	<u>3,314,276</u>	<u>1,226,906</u>
<u>14,284</u>	<u>9,049,382</u>	<u>10,708,046</u>
13,544	1,302,115	1,328,972
<u>208</u>	<u>13,544</u>	
	208	
<u>13,752</u>	<u>1,315,867</u>	<u>1,328,972</u>
<u>\$ 55,777</u>	<u>\$22,685,136</u>	<u>\$23,976,040</u>

**LINCOLN GENERAL HOSPITAL, INC.**  
**ENTERPRISE FUND**  
**COMBINING BALANCE SHEET**  
**APRIL 30, 1994**  
**WITH COMPARATIVE TOTALS FOR APRIL 30, 1993**

**LINCOLN  
GENERAL  
HOSPITAL, INC.**

LIABILITIES & FUND EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 665,083
Current Installments of Long-Term Debt	12,354
Current Installments of Capital Lease Obligations	20,536
Accrued Payroll & Related Liabilities	1,143,914
Due to Lincoln General Hospital, Inc.	
Due to Employee Group Health & Life Insurance Plan #501	109,725
Other Accrued Liabilities	45,737
Estimated Third-Party Payor Settlements	
Deferred Revenue	<u>2,925</u>
<b>Total Current Liabilities</b>	<b>2,000,274</b>

LONG-TERM DEBT, EXCLUDING CURRENT INSTALLMENTS

4,118

CAPITAL LEASE OBLIGATIONS EXCLUDING CURRENT INSTALLMENTS

51,807

Total Liabilities

2,056,199

FUND EQUITY

Common Stock - No Par Value	
1,000 Shares Authorized	
300 Shares Issued & Outstanding	<u>          </u>
Retained Earnings (Deficit)	
Reserved for Capital Improvements	3,314,276
Unreserved	<u>17,258,884</u>
<b>Total Retained Earnings (Deficit)</b>	<b><u>20,573,160</u></b>

TOTAL FUND EQUITY (DEFICIT)

20,573,160

Commitments & Contingent Liabilities  
(Notes 2, 7, 8, 9, 10, 11, 14, 18 & 20)

TOTAL LIABILITIES & FUND EQUITY

\$22,629,359

(Concluded)

The accompanying notes are an integral part of this statement.

NURSESOURCE HOME CARE, INC.	TOTALS	
	April 30 1994	1993
\$ 10,417	\$ 675,500	\$ 1,385,986
	12,354	17,567
	20,536	21,902
4,650	1,148,564	994,452
77,877	77,877	
	110,319	98,619
594	45,737	37,429
		500,575
	2,925	2,925
93,538	2,093,812	3,059,455
	4,118	11,567
	51,807	71,867
93,538	2,149,737	3,142,889
	56,530	
	3,314,276	1,226,906
( 94,291)	17,164,593	19,606,245
( 94,291)	20,478,869	20,833,151
( 37,761)	20,535,399	20,833,151
\$ 55,777	\$22,685,136	\$23,976,040

LINCOLN GENERAL HOSPITAL, INC.  
 ENTERPRISE FUND  
 COMBINING STATEMENT OF REVENUES,  
 EXPENSES, & CHANGES IN RETAINED EARNINGS  
 YEAR ENDED APRIL 30, 1994  
 WITH COMPARATIVE TOTALS FOR APRIL 30, 1993

	<u>LINCOLN GENERAL HOSPITAL, INC.</u>
<u>OPERATING REVENUES</u>	
Net Patient Service Revenues	\$31,280,573
Other Operating Revenues	<u>578,352</u>
Total Operating Revenues	<u>31,858,925</u>
<u>OPERATING EXPENSES</u>	
Salaries	13,379,106
Employee Benefits	2,332,208
Supplies	5,936,196
Departmental Expense	1,291,200
Professional Fees	1,690,281
Dues and Subscriptions	66,836
Travel & Education	71,893
Depreciation & Amortization	1,545,233
Leases & Rentals	1,052,135
Service Contracts	524,405
Building & Equipment Repairs	211,229
Utilities & Telephone	613,257
Legal, Audit, & Consulting	158,347
Collection Fees	153,129
Advertising	59,269
Insurance, Taxes, & Licenses	398,036
Interest Expense	7,583
Bad Debts Expense	2,195,613
Personnel & Recruitment Expense	44,997
Net Periodic Pension Costs	336,277
Auxiliary & Other Volunteer Expense	1,450
Medical Staff & Governing Board Expense	<u>19,872</u>
Total Operating Expenses	<u>32,088,552</u>
Income (Loss) from Operations	( 229,627)
Nonoperating Revenues (Expenses)	<u>( 30,364)</u>
NET INCOME (LOSS)	( 259,991)
(Increase) in Retained Earnings Reserved for Capital Improvements	<u>( 2,087,370)</u>
Net Change in Unreserved Retained Earnings for the Year	( 2,347,361)
RETAINED EARNINGS - UNRESERVED, BEGINNING	<u>19,606,245</u>
RETAINED EARNINGS (DEFICIT) - UNRESERVED, ENDING	<u>\$17,258,884</u>

The accompanying notes are an integral part of this statement.

NURSESOURCE HOME CARE, INC.	TOTALS	
	April 30	
	1994	1993
\$ 99,157	\$31,379,730	\$31,146,499
	578,352	538,473
<u>99,157</u>	<u>31,958,082</u>	<u>31,684,972</u>
95,877	13,474,983	12,849,368
11,489	2,343,697	2,183,038
10,412	5,946,608	5,939,993
36,735	1,327,935	1,262,481
2,882	1,693,163	1,706,729
457	67,293	59,223
1,702	73,595	65,039
1,372	1,546,605	1,453,983
12,513	1,064,648	265,232
	524,405	413,409
1,086	212,315	167,810
6,512	619,769	557,358
3,590	161,937	170,538
	153,129	130,305
1,403	60,672	56,189
5,733	403,769	299,556
1,936	9,519	9,053
	2,195,613	2,455,750
	44,997	44,596
	336,277	175,102
	1,450	2,321
	<u>19,872</u>	<u>22,138</u>
<u>193,699</u>	<u>32,282,251</u>	<u>30,289,211</u>
( 94,542)	( 324,169)	1,395,761
<u>251</u>	<u>( 30,113)</u>	<u>182,309</u>
( 94,291)	( 354,282)	1,578,070
	<u>( 2,087,370)</u>	<u>( 12,356)</u>
( 94,291)	( 2,441,652)	1,565,714
<u>-0-</u>	<u>19,606,245</u>	<u>18,040,531</u>
<u>(\$ 94,291)</u>	<u>\$17,164,593</u>	<u>\$19,606,245</u>

LINCOLN GENERAL HOSPITAL, INC.  
 ENTERPRISE FUND  
 COMBINING STATEMENT OF CASH FLOWS  
 YEAR ENDED APRIL 30, 1994  
 WITH COMPARATIVE TOTALS FOR APRIL 30, 1993

LINCOLN  
 GENERAL  
 HOSPITAL, INC.

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income (Loss)	(\$ <u>259,991</u> )
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	1,600,513
Amortization/Organization Cost	
Provision for Bad Debts	2,195,613
(Gain) Loss on Disposal of Equipment	91,528
Changes in Assets & Liabilities:	
(Increase) Decrease in Patient Accounts Receivable	807,658
Decrease in Accounts Receivable Other	1,828
(Increase) in Third Party Payor Settlements	( 119,039)
(Increase) in Accrued Interest LGG, Inc. Note	( 1,638)
(Increase) in Deposits	
(Increase) in Inventories	( 76,437)
(Increase) in Prepaid Expenses	( 132,201)
(Increase) Decrease in Prepaid Pension Costs	26,857
Increase (Decrease) in Accounts Payable	( 720,903)
Increase in Accrued Payroll & Related Liabilities	149,462
Increase in Due to Employee Group Health & Life Insurance Plan #501	11,106
Increase (Decrease) in Other Accrued Liabilities	<u>8,308</u>
Total Adjustments	<u>3,842,655</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,582,664</u>

(Continued)

The accompanying notes are an integral part of this statement.

NURSESOURCE HOME CARE, INC.	TOTALS	
	April 30 1994	1993
(\$ 94,291)	(\$ 354,282)	\$ 1,578,070
405	1,600,918	1,509,263
967	967	
	2,195,613	2,455,750
	91,528	( 1,600)
( 26,465)	781,193	( 3,014,239)
	1,828	5,725
	( 119,039)	( 376,112)
	( 1,638)	( 259)
( 208)	( 208)	
( 332)	( 76,769)	( 137,119)
	( 132,201)	( 13,030)
	26,857	( 135,014)
10,417	( 710,486)	566,890
5,244	154,706	130,795
	11,106	5,275
	8,308	( 16,309)
( 9,972)	3,832,683	980,016
( 104,263)	3,478,401	2,558,086

LINCOLN GENERAL HOSPITAL, INC.  
 ENTERPRISE FUND  
 COMBINING STATEMENT OF CASH FLOWS  
 YEAR ENDED APRIL 30, 1994  
 WITH COMPARATIVE TOTALS FOR APRIL 30, 1993

LINCOLN  
 GENERAL  
 HOSPITAL, INC.

CASH FLOWS FROM INVESTING ACTIVITIES

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES \$ -0-

CASH FLOWS FROM CAPITAL &  
 RELATED FINANCING ACTIVITIES

Acquisition and Construction of Capital Assets	( 1,156,443)
Proceeds from Sale of Equipment	29,880
(Increase) in Assets Whose Use is Limited	( 1,516,346)
Organization Cost	
Collection on LGG, Inc. Note	12,000
Loan to LGG, Inc.	( 83,050)
Loan to NurseSource Home Care, Inc.	( 77,877)
Loan from Lincoln General Hospital, Inc.	
Common Stock	
Principal Payments on Long-Term Debt	( 12,662)
Payments on Capital Lease Obligations	( <u>21,427</u> )

NET CASH PROVIDED (USED) BY CAPITAL &  
 RELATED FINANCING ACTIVITIES ( 2,825,925)

NET INCREASE IN CASH & CASH EQUIVALENTS 756,739

CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR 904,453

CASH & CASH EQUIVALENTS AT END OF YEAR \$ 1,661,192

Supplemental Disclosures of Cash Flow Information

Cash Paid During the Year For

Interest	\$ 7,583
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Supplemental Disclosure of Non Cash Investing and  
 Financing Activity

Purchase of Equipment with Capital Lease Obligations	\$ -0-
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(Continued)

The accompanying notes are an integral part of this statement.

NURSESOURCE HOME CARE, INC.	TOTALS	
	April 30	
	1994	1993
\$ -0-	\$ -0-	\$ -0-
( 14,689)	( 1,171,132)	( 1,768,434)
	29,880	1,600
( 14,511)	( 1,516,346)	( 290,753)
	( 14,511)	
	12,000	7,000
	( 83,050)	
	( 77,877)	
77,877	77,877	
56,530	56,530	
	( 12,662)	( 98,983)
	( 21,427)	( 8,871)
<u>105,207</u>	( <u>2,720,718</u> )	( <u>2,158,441</u> )
944	757,683	399,645
<u>-0-</u>	<u>904,453</u>	<u>504,808</u>
\$ <u>944</u>	\$ <u>1,662,136</u>	\$ <u>904,453</u>
\$ 1,936	\$ 9,519	\$ 9,053
\$ -0-	\$ -0-	\$ 72,040

LINCOLN GENERAL HOSPITAL, INC.  
ENTERPRISE FUND  
LINCOLN GENERAL HOSPITAL, INC.  
COMPARATIVE BALANCE SHEETS  
APRIL 30, 1994 & 1993

	April 30	
	1994	1993
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 461,689	\$ 346,336
Investment Securities	1,200,503	558,117
Total Cash & Cash Equivalents	1,662,192	904,453
Assets Whose Use is Limited and are Required for Current Liabilities	6,099	637,123
Patient Accounts Receivable, less Allowance for Doubtful Accounts 1994 - \$2,855,728 & 1993 - \$2,476,000		
Allowance for Medicare & Medicaid Adjustments 1994 - \$2,965,847 & 1993 - \$2,458,000	5,020,304	6,916,105
Other Accounts Receivable	4,892	6,720
Due from LGG, Inc.	123,356	50,668
Due from NurseSource Home Care, Inc.	77,877	
Estimated Third-Party Payor Settlements	592,727	974,263
Inventories @ Cost (FIFO)	1,166,242	1,089,805
Prepaid Expenses	265,181	132,979
Total Current Assets	<u>8,977,870</u>	<u>10,712,116</u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
<b>By Board for Capital Improvements</b>		
Investment Securities	3,380,375	1,864,029
Less Assets Whose Use is Limited and That are Required for Current Liabilities	(66,099)	(637,123)
Noncurrent Assets Whose Use is Limited	<u>3,314,276</u>	<u>1,226,906</u>
<b>PROPERTY &amp; EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (1994 - \$7,911,590; 1993 - \$6,971,573)</b>		
	<u>9,035,098</u>	<u>10,708,046</u>
<b>OTHER ASSETS - PREPAID PENSION COSTS</b>	1,302,115	1,328,972
<b>TOTAL ASSETS</b>	<u>\$22,629,359</u>	<u>\$23,976,040</u>

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
ENTERPRISE FUND  
LINCOLN GENERAL HOSPITAL, INC.  
COMPARATIVE BALANCE SHEETS  
APRIL 30, 1994 & 1993

	<u>April 30</u>	
	<u>1 9 9 4</u>	<u>1 9 9 3</u>
<b><u>LIABILITIES &amp; FUND EQUITY</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts Payable	\$ 665,083	\$ 1,385,986
Current Installments of Long-Term Debt	12,354	17,567
Current Installments of Capital Lease Obligations	20,536	21,902
Accrued Payroll & Related Liabilities	1,143,914	994,452
Due to Employee Group Health & Life Insurance Plan #501	109,725	98,619
Other Accrued Liabilities	45,737	37,429
Estimated Third-Party Payor Settlements		500,575
Deferred Revenue	<u>2,925</u>	<u>2,925</u>
Total Current Liabilities	2,000,274	3,059,455
LONG-TERM DEBT, EXCLUDING CURRENT INSTALLMENTS	4,118	11,567
CAPITAL LEASE OBLIGATIONS EXCLUDING CURRENT INSTALLMENTS	<u>51,807</u>	<u>71,867</u>
Total Liabilities	<u>2,056,199</u>	<u>3,142,889</u>
<b><u>FUND EQUITY</u></b>		
Retained Earnings		
Reserved for Capital Improvements	3,314,276	1,226,906
Unreserved	<u>17,258,884</u>	<u>19,606,245</u>
Total Fund Equity	20,573,160	20,883,151
Commitments & Contingent Liabilities (Notes 2, 7, 8, 9, 10, 11, 14, 18 & 20)	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b><u>\$22,629,359</u></b>	<b><u>\$23,976,040</u></b>

(Concluded)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
ENTERPRISE FUND  
LINCOLN GENERAL HOSPITAL, INC.  
COMPARATIVE STATEMENTS OF REVENUES,  
EXPENSES & CHANGES IN RETAINED EARNINGS  
YEARS ENDED APRIL 30, 1994 & 1993

	<u>Year Ended April 30</u>	
	<u>1994</u>	<u>1993</u>
<b>OPERATING REVENUES</b>		
Net Patient Service Revenues	\$31,280,573	\$31,146,499
Other Operating Revenues	578,352	538,473
Total Operating Revenues	<u>31,858,925</u>	<u>31,684,972</u>
<b>OPERATING EXPENSES</b>		
Salaries	13,379,106	12,849,368
Employee Benefits	2,332,208	2,183,038
Supplies	5,936,196	5,939,993
Departmental Expense	1,291,200	1,262,481
Professional Fees	1,690,281	1,706,729
Dues and Subscriptions	66,836	59,223
Travel & Education	71,893	65,039
Depreciation & Amortization	1,545,233	1,453,983
Leases & Rentals	1,052,135	265,232
Service Contracts	524,405	413,409
Building & Equipment Repairs	211,229	167,810
Utilities & Telephone	613,257	557,358
Legal, Audit, & Consulting	158,347	170,538
Collection Fees	153,129	130,305
Advertising	59,269	56,189
Insurance, Taxes, & Licenses	398,036	299,556
Interest Expense	7,583	9,053
Bad Debts Expense	2,195,613	2,455,750
Personnel & Recruitment Expense	44,997	44,596
Net Periodic Pension Costs	336,277	175,102
Auxiliary & Other Volunteer Expense	1,450	2,321
Medical Staff & Governing Board Expense	19,872	22,138
Total Operating Expenses	<u>32,088,552</u>	<u>30,289,211</u>
Income (Loss) from Operations	( 229,627)	1,395,761
Nonoperating Revenues (Expenses)	( 30,364)	182,309
NET INCOME (LOSS)	( 259,991)	1,578,070
(Increase) in Retained Earnings Reserved for Capital Improvements	( 2,087,370)	( 12,356)
Net Change in Unreserved Retained Earnings for the Year	( 2,347,361)	1,565,714
RETAINED EARNINGS - UNRESERVED, BEGINNING	<u>19,606,245</u>	<u>18,040,531</u>
RETAINED EARNINGS - UNRESERVED, ENDING	<u>\$17,258,884</u>	<u>\$19,606,245</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
ENTERPRISE FUND  
LINCOLN GENERAL HOSPITAL, INC.  
COMPARATIVE STATEMENTS OF CASH FLOWS  
YEARS ENDED APRIL 30, 1994 & 1993

	<u>Year Ended April 30</u>	
	<u>1994</u>	<u>1993</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	(\$ 259,991)	\$ 1,578,070
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	1,600,513	1,509,263
Provision for Bad Debts	2,195,613	2,455,750
(Gain) Loss on Disposal of Equipment	91,528	( 1,600)
Changes in Assets & Liabilities:		
(Increase) Decrease in Patient Accounts Receivable	807,658	( 3,014,239)
Decrease in Accounts Receivable Other	1,828	5,725
(Increase) in Third Party Payor Settlements	( 119,039)	( 376,112)
(Increase) in Accrued Interest LGG, Inc. Note	( 1,638)	( 259)
(Increase) in Inventories	( 76,437)	( 137,119)
(Increase) in Prepaid Expenses	( 132,201)	( 13,030)
(Increase) Decrease in Prepaid Pension Costs	26,857	( 135,014)
Increase (Decrease) in Accounts Payable	( 720,903)	566,890
Increase in Accrued Payroll & Related Liabilities	149,462	130,795
Increase in Due to Employee Group Health & Life Insurance Plan #501	11,106	5,275
Increase (Decrease) in Other Accrued Liabilities	<u>8,308</u>	<u>( 16,309)</u>
Total Adjustments	<u>3,842,655</u>	<u>980,016</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>3,582,664</u>	<u>2,558,086</u>

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
ENTERPRISE FUND  
LINCOLN GENERAL HOSPITAL, INC.  
COMPARATIVE STATEMENTS OF CASH FLOWS  
YEARS ENDED APRIL 30, 1994 & 1993

	<u>Year Ended April 30</u>	
	<u>1994</u>	<u>1993</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ <u>-0-</u>	\$ <u>-0-</u>
<u>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</u>		
Acquisition and Construction of Capital Assets	( 1,156,443)	( 1,768,434)
Proceeds from Sale of Equipment	29,880	1,600
(Increase) in Assets Whose Use is Limited	( 1,516,346)	( 290,753)
Collection on LGG, Inc. Note	12,000	7,000
Loan to LGG, Inc.	( 83,050)	
Loan to NurseSource Home Care, Inc.	( 77,877)	
Principal Payments on Long-Term Debt	( 12,662)	( 98,983)
Payments on Capital Lease Obligations	( <u>21,427</u> )	( <u>8,871</u> )
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	( <u>2,825,925</u> )	( <u>2,158,441</u> )
NET INCREASE IN CASH & CASH EQUIVALENTS	756,739	399,645
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>904,453</u>	<u>504,808</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	\$ <u>1,661,192</u>	\$ <u>904,453</u>
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid During the Year For		
Interest	\$ 7,583	\$ 9,053
<u>Supplemental Disclosure of Non Cash Investing and Financing Activity</u>		
Purchase of Equipment with Capital Lease Obligations	\$ -0-	\$ 72,040

(Concluded)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
ENTERPRISE FUND  
NURSESOURCE HOME CARE, INC.  
BALANCE SHEET  
APRIL 30, 1994

ASSETS

CURRENT ASSETS

Cash	\$	944	
Patient Accounts Receivable, Less Allowance for Medicare Adjustment of \$9,108		26,465	
Inventories at Cost (FIFO)		<u>332</u>	
Total Current Assets	\$		27,741

PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION OF \$405			14,284
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OTHER ASSETS

Organization Costs - Net			13,544
Deposits			<u>208</u>

TOTAL ASSETS	\$		<u>55,777</u>
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LIABILITIES & FUND EQUITY

CURRENT LIABILITIES

Accounts Payable	\$	10,417	
Accrued Payroll & Related Liabilities		4,650	
Due to Employee Group Health & Life Insurance Plan #501		594	
Due to Lincoln General Hospital, Inc.		<u>77,877</u>	
Total Liabilities	\$		93,538

FUND EQUITY

Common Stock - No Par Value 1,000 Shares Authorized 300 Shares Issued and Outstanding		56,530	
Retained Earnings (Deficit) Unreserved		<u>(24,291)</u>	
Total Fund Equity (Deficit)			<u>(37,761)</u>

TOTAL LIABILITIES & FUND EQUITY	\$		<u>55,777</u>
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The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
ENTERPRISE FUND  
NURSESOURCE HOME CARE, INC.  
STATEMENT OF REVENUES, EXPENSES, &  
CHANGES IN RETAINED EARNINGS  
YEAR ENDED APRIL 30, 1994

OPERATING REVENUES

Net Patient Service Revenues \$ 99,157

OPERATING EXPENSES

Salaries	\$ 95,877	
Employee Benefits	11,489	
Supplies	10,412	
Audit & Accounting	3,590	
Physical Therapy Services	675	
Professional Fees	2,207	
Dues and Subscriptions	457	
Travel & Education	1,702	
Depreciation	405	
Rent - Building	8,999	
Security Payments	3,790	
Equipment Leases & Rentals	3,514	
Equipment Repairs	1,086	
Utilities & Telephone	6,512	
Management Fees	24,000	
Miscellaneous Administrative	8,061	
Advertising	1,403	
Insurance, Taxes & Licenses	5,733	
Interest	1,936	
Other Expense	884	
Amortization/Organization Cost	<u>967</u>	
Total Operating Expense		<u>193,699</u>
Income (Loss) from Operations		( 94,542)
Nonoperating Revenues		<u>251</u>
NET INCOME (LOSS)		( 94,291)
RETAINED EARNINGS - UNRESERVED MAY 1, 1993		<u>-0-</u>
RETAINED EARNINGS (DEFICIT)-UNRESERVED APRIL 30, 1994		<u>(\$ 94,291)</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
ENTERPRISE FUND  
NURSESOURCE HOME CARE, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED APRIL 30, 1994

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income (Loss) (\$ 94,291)

Adjustments to Reconcile Net Income (Loss) to  
to Net Cash Provided by Operating Activities:

Depreciation \$ 405  
Amortization/Organization Cost 967

Changes in Assets & Liabilities:

(Increase) in Patient Accounts Receivable ( 26,465)  
(Increase) in Deposits ( 208)  
(Increase) in Inventories ( 332)  
Increase in Accounts Payable 10,417  
Increase in Accrued Payroll & Related Liabilities 5,244

Total Adjustments ( 9,972)

NET CASH (USED) BY OPERATING ACTIVITIES ( 104,263)

CASH FLOWS FROM CAPITAL &  
RELATED FINANCIAL ACTIVITIES

Acquisition of Capital Assets ( 14,689)  
Organization Cost ( 14,511)  
Loan from Lincoln General Hospital 77,877  
Common Stock 56,530

NET CASH PROVIDED BY CAPITAL &  
RELATED FINANCING ACTIVITIES 105,207

NET INCREASE IN CASH & CASH EQUIVALENTS 944

CASH & CASH EQUIVALENTS - MAY 1, 1993 -0-

CASH & CASH EQUIVALENTS - APRIL 30, 1994 \$ 944

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for Interest \$ 1,936

The accompanying notes are an integral part of this statement.

PROPRIETARY FUNDSInternal Service Funds

Internal Service Funds account for the financing of services provided by one fund to another fund or to employees of other funds of the Hospital on a contributory or cost reimbursement basis.

Employee Group Health and Life Insurance Plan #501

This fund accumulates resources to finance medical benefits to employees of the Hospital.

LGG, Inc.

A legally separate entity who has entered into a partnership, Ruston Outpatient Physical Therapy Services, which provides physical therapy services to Lincoln General Hospital, Inc.

LINCOLN GENERAL HOSPITAL, INC.  
INTERNAL SERVICE FUND  
COMBINING BALANCE SHEET  
APRIL 30, 1994  
WITH COMPARATIVE TOTALS FOR APRIL 30, 1993

	<u>LGG, Inc.</u>	<u>Employee Group Health &amp; Life Ins Plan #501</u>	<u>TOTALS</u> <u>April 30</u>	
			<u>1994</u>	<u>1993</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 33,990	\$ 137,008	\$ 170,998	\$ 84,938
Investment Management Account		572,668	572,668	265,062
Other Accounts Receivable	5,359		5,359	7,159
Prepaid Expenses	9,703		9,703	
Deferred Federal Income Tax Benefit	1,467		1,467	
Due from Other Funds		<u>110,319</u>	<u>110,319</u>	<u>98,619</u>
Total Current Assets	50,519	819,995	870,514	455,778
<b>INVESTMENTS</b>				
Investment in Partnership	213,356		213,356	177,036
Investment in NurseSource	<u>81,050</u>		<u>81,050</u>	
Total Investments	294,406		294,406	177,036
<b>OTHER ASSETS</b>				
Organization Cost - Net	<u>6,428</u>		<u>6,428</u>	<u>12,856</u>
<b>TOTAL ASSETS</b>	<u>\$ 351,353</u>	<u>\$ 819,995</u>	<u>\$ 1,171,348</u>	<u>\$ 645,670</u>
<b>LIABILITIES &amp; FUND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accrued Liabilities	\$ 2,971		\$ 2,971	\$ 11,126
Due to Other Funds	123,356		123,356	50,668
Health Claims Payable		\$ 114,651	114,651	70,546
Estimated Health Claims Incurred but not Reported		<u>98,257</u>	<u>98,257</u>	<u>155,754</u>
Total Liabilities	126,327	212,908	339,235	288,094
<b>FUND EQUITY</b>				
Retained Earnings				
Reserved for Health Claims		607,087	607,087	218,496
Unreserved	<u>225,026</u>		<u>225,026</u>	<u>139,080</u>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<u>\$ 351,353</u>	<u>\$ 819,995</u>	<u>\$ 1,171,348</u>	<u>\$ 645,670</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
INTERNAL SERVICE FUND  
COMBINING STATEMENT OF REVENUES,  
EXPENSES, & CHANGES IN RETAINED EARNINGS  
YEAR ENDED APRIL 30, 1994  
WITH COMPARATIVE TOTALS FOR APRIL 30, 1993

	LGG, Inc.	Employee Group Health & Life Ins Plan #501	TOTALS	
			April 30 1994	1993
<b>OPERATING REVENUES</b>				
Income from Partnership	\$ 116,320		\$ 116,320	\$ 120,546
Employer Contributions		\$1,091,246	1,091,246	987,439
Employee Contributions		217,660	217,660	187,042
Refunds on Claims Paid		9,441	9,441	4,166
Specific Loss Reimbursement		27,963	27,963	65,416
<b>TOTAL OPERATING REVENUES</b>	<b>116,320</b>	<b>1,346,310</b>	<b>1,462,630</b>	<b>1,364,609</b>
<b>OPERATING EXPENSES</b>	<b>21,544</b>	<b>972,362</b>	<b>993,906</b>	<b>1,156,928</b>
<b>OPERATING INCOME</b>	<b>94,776</b>	<b>373,948</b>	<b>468,724</b>	<b>207,681</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest Income		14,643	14,643	6,987
Contribution	(10,000)		(10,000)	
<b>INCOME BEFORE INCOME TAX</b>	<b>84,776</b>	<b>388,591</b>	<b>473,367</b>	<b>214,668</b>
FEDERAL INCOME TAX (BENEFIT)	(1,170)		(1,170)	24,814
<b>NET INCOME</b>	<b>85,946</b>	<b>388,591</b>	<b>474,537</b>	<b>189,854</b>
(Increase) in Retained Earnings Reserved for Health Claims		(388,591)	(388,591)	(126,435)
<b>NET CHANGE IN UNRESERVED RETAINED EARNINGS</b>	<b>85,946</b>		<b>85,946</b>	<b>63,419</b>
<b>RETAINED EARNINGS - UNRESERVED, BEGINNING</b>	<b>139,080</b>		<b>139,080</b>	<b>75,661</b>
<b>RETAINED EARNINGS - UNRESERVED, ENDING</b>	<b>225,026</b>		<b>225,026</b>	<b>139,080</b>
<b>RETAINED EARNINGS - RESERVED, BEGINNING</b>		<b>218,496</b>	<b>218,496</b>	<b>92,061</b>
<b>NET CHANGE IN RESERVED RETAINED EARNINGS</b>		<b>388,591</b>	<b>388,591</b>	<b>126,435</b>
<b>RETAINED EARNINGS - RESERVED, ENDING</b>		<b>607,087</b>	<b>607,087</b>	<b>218,496</b>
<b>TOTAL RETAINED EARNINGS</b>	<b>\$ 225,026</b>	<b>\$ 607,087</b>	<b>\$ 832,113</b>	<b>\$ 357,576</b>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
INTERNAL SERVICE FUND  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED APRIL 30, 1994  
WITH COMPARATIVE TOTALS FOR APRIL 30, 1993

	Employee Group Health & Life Ins Plan #501	TOTALS April 30		
<u>IGG, Inc.</u>	<u>1994</u>	<u>1993</u>	<u>1993</u>	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Net Income	\$ 85,946	\$ 388,591	\$ 474,537	\$ 189,854
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Amortization of Organization Cost	6,428		6,428	6,429
Changes in Assets & Liabilities:				
(Increase) in Prepaid Expenses	( 9,703)		( 9,703)	
(Increase) in Due from Other Funds		( 11,700)	( 11,700)	( 5,275)
Decrease (Increase) in Accounts Receivable	1,800		1,800	( 3,300)
(Increase) in Deferred Tax Benefit	( 1,467)		( 1,467)	
(Decrease) in Accrued Liabilities	( 6,517)		( 6,517)	( 13,564)
Increase in Health Claims Payable		44,105	44,105	33,018
(Decrease) in Estimated Health Claims Incurred but not Reported		( 57,497)	( 57,497)	( 31,837)
Total Adjustments	( 9,459)	( 25,092)	( 34,551)	( 14,529)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>76,487</u>	<u>363,499</u>	<u>439,986</u>	<u>175,325</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Investment in NurseSource	( 81,050)		( 81,050)	
Investment in Partnership	( 36,320)		( 36,320)	( 45,546)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>( 117,370)</u>		<u>( 117,370)</u>	<u>( 45,546)</u>

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
INTERNAL SERVICE FUND  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED APRIL 30, 1994  
WITH COMPARATIVE TOTALS FOR APRIL 30, 1993

	Employee Group Health & Life Ins Plan #501	<u>TOTALS</u> <u>April 30</u>	
<u>LGG, Inc.</u>		<u>1994</u>	<u>1993</u>
<u>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</u>			
Loan from Lincoln General Hospital, Inc.	\$ 83,050	\$ 83,050	
Payment on Note to Lincoln General Hospital, Inc.	( 12,000)	( 12,000)	(\$ 7,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>71,050</u>	<u>71,050</u>	( 7,000)
NET INCREASE IN CASH & CASH EQUIVALENTS	30,167	\$ 363,499	393,666
CASH & CASH EQUIVALENTS 5-1-93	<u>3,823</u>	<u>346,177</u>	<u>350,000</u>
CASH & CASH EQUIVALENTS 4-30-94	<u>\$ 33,990</u>	<u>\$ 709,676</u>	<u>\$ 743,666</u>

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for Income Taxes	\$ 18,155	\$ -0-	\$ 18,155	\$ 34,779
Cash paid during the year for Interest	\$ 4,712	\$ -0-	\$ 4,712	\$ 4,175

(Concluded)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
INTERNAL SERVICE FUND  
LGG, INC.  
COMPARATIVE BALANCE SHEETS  
APRIL 30, 1994 & 1993

	<u>April 30</u>	
	<u>1994</u>	<u>1993</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 33,990	\$ 3,823
Prepaid Federal Income Tax	9,703	
Accounts Receivable - Other	5,359	7,159
Deferred Federal Income Tax Benefit	<u>1,467</u>	
Total Current Assets	<u>50,519</u>	<u>10,982</u>
<b>INVESTMENTS</b>		
Investment in Partnership	213,356	177,036
Investment in NurseSource Home Care, Inc.	<u>81,050</u>	
Total Investments	<u>294,406</u>	<u>177,036</u>
<b>OTHER ASSETS</b>		
Organizational Costs - Net	<u>6,428</u>	<u>12,856</u>
<b>TOTAL ASSETS</b>	<u>\$ 351,353</u>	<u>\$ 200,874</u>
<b>LIABILITIES &amp; FUND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accrued Liabilities	\$ 2,971	\$ 11,126
Due to Lincoln General Hospital, Inc.	<u>123,356</u>	<u>50,668</u>
Total Liabilities	126,327	61,794
<b>FUND EQUITY</b>		
Retained Earnings - Unreserved	<u>225,026</u>	<u>139,080</u>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<u>\$ 351,353</u>	<u>\$ 200,874</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
INTERNAL SERVICE FUND  
LGG, INC.  
COMPARATIVE STATEMENTS OF REVENUES,  
EXPENSES, & CHANGES IN RETAINED EARNINGS  
YEARS ENDED APRIL 30, 1994 & 1993

	<u>Year Ended April 30</u>	
	<u>1994</u>	<u>1993</u>
<b>REVENUES</b>		
Income from Partnership	\$ 116,320	\$ 220,546
<b>OPERATING EXPENSES</b>		
Amortization of Organization Cost	6,429	6,429
Interest	6,350	4,434
Legal Fees		12,373
Management Fees	8,000	7,500
Miscellaneous	66	14
Penalties	433	1,378
Taxes	266	185
Total Operating Expense	<u>21,544</u>	<u>32,313</u>
Income from Operations	94,776	88,233
<b>NONOPERATING EXPENSE</b>		
Contributions	<u>10,000</u>	
INCOME BEFORE INCOME TAX	<u>84,776</u>	<u>88,233</u>
<b>FEDERAL INCOME TAX (BENEFIT)</b>		
Current	297	24,814
Deferred Benefit	(1,467)	
Total Income Tax (Benefit)	<u>(1,170)</u>	<u>24,814</u>
NET INCOME (Restated for Year Ended 4-30-93)	<u>85,946</u>	<u>63,419</u>
<b>RETAINED EARNINGS - UNRESERVED, BEGINNING</b>		
As Previously Reported	133,936	73,113
Adjustment for Louisiana Income Tax Expense (Net of Applicable Federal Income Taxes \$1,659 for 4-30-93 and \$1,312 for 4-30-92)	<u>5,144</u>	<u>2,548</u>
Balance at Beginning of Year as Restated	139,080	75,661
Net Income (Restated for Year Ended 4-30-93)	<u>85,946</u>	<u>63,419</u>
RETAINED EARNINGS - UNRESERVED, ENDING	<u>\$ 225,026</u>	<u>\$ 139,080</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
INTERNAL SERVICE FUND  
IGG, INC.  
COMPARATIVE STATEMENTS OF CASH FLOWS  
YEARS ENDED APRIL 30, 1994 & 1993

	<u>Year Ended April 30</u>	
	<u>1994</u>	<u>1993</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Net Income	\$ 85,946	\$ 64,419
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Amortization of Organization Costs	6,428	6,429
Changes in Assets & Liabilities		
Decrease (Increase) in Accounts Receivable	1,800	( 3,300)
(Increase) in Prepaid Federal Income Tax	( 9,703)	
(Increase) in Deferred Tax Benefit	( 2,467)	
(Decrease) in Accrued Liabilities	( 6,517)	( 13,564)
Total Adjustments	( 9,459)	( 10,435)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>76,487</u>	<u>52,984</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Investment in Partnership	( 36,320)	( 45,546)
Investment in NurseSource Home Care, Inc.	( 81,050)	
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>( 117,370)</u>	<u>( 45,546)</u>
<b><u>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</u></b>		
Loan from Lincoln General Hospital, Inc.	83,050	
Payment on Note to Lincoln Gen Hospital	( 12,000)	( 7,000)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>71,050</u>	<u>( 7,000)</u>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	30,167	438
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>3,823</u>	<u>3,385</u>
<b>CASH &amp; CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 33,990</u>	<u>\$ 3,823</u>
<b><u>Supplemental Disclosures of Cash Flow Information</u></b>		
Cash paid during the year for Income Taxes	\$ 18,155	\$ 34,779
Cash paid during the year for Interest	\$ 4,712	\$ 4,175

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
INTERNAL SERVICE FUND  
EMPLOYEE GROUP HEALTH & LIFE INSURANCE PLAN #501  
COMPARATIVE BALANCE SHEETS  
APRIL 30, 1994 & 1993

	<u>April 30</u>	
	<u>1994</u>	<u>1993</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 137,008	\$ 81,115
Investment Management Account	572,668	265,062
Duo From Lincoln General Hospital, Inc.	<u>110,319</u>	<u>98,619</u>
TOTAL ASSETS	<u>\$ 819,995</u>	<u>\$ 444,796</u>
<u>LIABILITIES &amp; FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Health Claims Payable	\$ 114,651	\$ 70,546
Estimated Health Claims Incurred But Not Reported	<u>98,257</u>	<u>155,754</u>
TOTAL LIABILITIES	<u>212,908</u>	<u>226,300</u>
<u>FUND EQUITY</u>		
Retained Earnings Reserved for Health Claims	<u>607,087</u>	<u>218,496</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 819,995</u>	<u>\$ 444,796</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
INTERNAL SERVICE FUND  
EMPLOYEE GROUP HEALTH & LIFE INSURANCE PLAN #501  
COMPARATIVE STATEMENTS OF REVENUES,  
EXPENSES & CHANGES IN RETAINED EARNINGS  
YEARS ENDED APRIL 30, 1994 & 1993

	<u>Year Ended April 30</u>	
	<u>1994</u>	<u>1993</u>
<b><u>OPERATING REVENUES</u></b>		
Employer Contributions	\$ 1,091,246	\$ 987,439
Employee Contributions	217,660	187,042
Refunds on Claims Paid	9,441	4,166
Specific Loss Reimbursement	27,963	65,416
Total Operating Revenues	\$ 1,346,310	\$ 1,244,063
<b><u>OPERATING EXPENSES</u></b>		
<b><u>Payments for</u></b>		
Health Claims	841,783	993,562
Life Insurance Premiums	24,758	24,186
Excess Risk Insurance Premiums	73,292	62,447
<b><u>Additions to (Deductions from) Liabilities For</u></b>		
Health Claims	( 13,392)	1,181
<b><u>Administrative Expenses</u></b>		
Administrative Fees	39,072	37,081
Precertification Fees	6,849	6,003
Other Administrative Expenses	155	155
Total Operating Expenses	972,362	1,124,615
OPERATING INCOME	373,948	119,448
<b><u>NONOPERATING REVENUES</u></b>		
Interest Income	14,643	6,987
NET INCOME	388,591	126,435
RETAINED EARNINGS - RESERVED, BEGINNING	218,496	92,061
RETAINED EARNINGS - RESERVED, ENDING	\$ 607,087	\$ 218,496

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
INTERNAL SERVICE FUND  
EMPLOYEE GROUP HEALTH & LIFE INSURANCE PLAN #501  
COMPARATIVE STATEMENTS OF CASH FLOWS  
YEARS ENDED APRIL 30, 1994 & 1993

	<u>Year Ended April 30</u>	
	<u>1994</u>	<u>1993</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net Income	\$ 388,591	\$ 126,435
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Changes in Assets & Liabilities		
(Increase) in Due from Lincoln General Hospital, Inc. for Plan Contributions	( 11,700)	( 5,275)
Increase in Health Claims Payable	44,105	33,018
(Decrease) in Estimated Health Claims Incurred but not Reported	( 57,497)	( 31,837)
Total Adjustments	( 25,092)	( 4,094)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>363,499</u>	<u>122,341</u>
NET INCREASE IN CASH & CASH EQUIVALENTS	363,499	122,341
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>346,177</u>	<u>223,836</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 709,676</u>	<u>\$ 346,177</u>

The accompanying notes are an integral part of this statement.

FIDUCIARY FUNDS

Expendable Trust Funds

Expendable Trust Funds are used to account for funds that are to be used for purposes specified by the donor.

Mary B. Jarrell Scholarship Fund

This fund is used to account for funds that are to be used for nursing scholarships as specified by the donor.

LINCOLN GENERAL HOSPITAL, INC.  
EXPENDABLE TRUST FUND  
MARY B. JARRELL SCHOLARSHIP FUND  
COMPARATIVE BALANCE SHEETS  
APRIL 30, 1994 & 1993

	<u>April 30</u>	
	<u>1994</u>	<u>1993</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 1,939	\$ 6,588
Investment Securities	<u>242,694</u>	<u>236,117</u>
TOTAL ASSETS	<u>\$ 244,633</u>	<u>\$ 242,705</u>
 <u>FUND BALANCE</u>		
Reserved for Scholarships	<u>\$ 244,633</u>	<u>\$ 242,705</u>

The accompanying notes are an integral part of this statement.

OTHER INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**ROBERT E. HOLLADAY III, CPA**

116 PINECREST DRIVE

P O BOX 698

RUSTON, LA 71273-0698

MEMBER  
AMERICAN INSTITUTE OF CPAS  
SOCIETY OF LOUISIANA CPAS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Lincoln General Hospital, Inc.  
Ruston, Louisiana

I have audited the financial statements and the combining and individual fund financial statements of Lincoln General Hospital, Inc. for the year ended April 30, 1994, and have issued my report thereon dated August 5, 1994.

I conducted my audit in accordance with generally accepted auditing standards and Government Audit Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing my audit of the financial statements and the combining and individual fund financial statements of Lincoln General Hospital, Inc., for the year ended April 30, 1994, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and the combining and individual fund financial statements and not to provide assurance on the internal control structure.

The management of Lincoln General Hospital, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

To the Board of Directors  
Lincoln General Hospital, Inc.  
Ruston, Louisiana

For the purpose of this report, I have classified the significant internal control structure policies and procedures in the following categories.

Accounting Controls

1. Cash
2. Investments
3. Prepaid Expenses
4. Revenue and Receivables
5. Expenses and Accounts Payable
6. Inventories
7. Property, Equipment
8. Debt and Other Liabilities
9. Payroll and Related Liabilities

For all of the control categories listed above, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operations that I consider to be material weaknesses as defined above.

However, I noted certain matters involving the internal control structure and its operation that I have reported to the management of Lincoln General Hospital, Inc., in a separate letter dated August 5, 1994.

This report is intended for the information of the Board of Directors, management, and state and federal audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

  
R. E. Holladay III, CPA

Ruston, Louisiana  
August 5, 1994

INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

ROBERT E. HOLLADAY III, CPA

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TELEPHONE  
225-6821MEMBER  
AMERICAN INSTITUTE OF CPAS  
SOCIETY OF LOUISIANA CPASINDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS  
AND REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDSTo the Board of Directors  
Lincoln General Hospital, Inc.  
Ruston, Louisiana

I have audited the financial statements and the combining and individual fund financial statements of Lincoln General Hospital, Inc., as of and for the year ended April 30, 1994, and have issued my report thereon dated August 5, 1994.

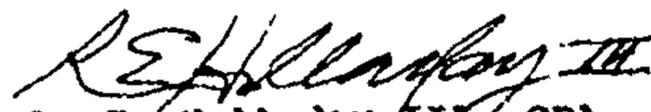
I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations and contracts, applicable to Lincoln General Hospital, Inc., is the responsibility of the Hospital's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Hospital's compliance with certain provisions of laws, regulations and contracts. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests indicate that, with respect to the items tested, the Hospital complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that the Hospital had not complied, in all material respects, with those provisions.

I noted no immaterial instances of noncompliance.

This report is intended for the information of the Board of Directors, management, and state and federal audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

  
R. E. Holladay III, CPARuston, Louisiana  
August 5, 1994

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SOCIETY OF LOUISIANA CPAs

August 5, 1994

Management Letter

To the Board of Directors  
Lincoln General Hospital, Inc.  
P. O. Drawer 1368  
Ruston, LA 71273-1368

Re: Management Letter & Audit  
Year Ended April 30, 1994

In planning and performing my audit of the financial statements and the combining and individual fund financial statements of Lincoln General Hospital, Inc., for the year ended April 30, 1994, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and the combining and individual fund financial statements and not to provide assurance on the internal control structure.

However, I noted certain matters involving the internal control structure and its operation that I consider worthy of your attention.

Finding 1

Proper management of fixed assets includes a system of identification of those assets. Assets are not labeled and many items cannot be specifically identified with the depreciation schedule asset list.

Recommendation 1

We recommend that management begin to develop a system of property records with identification of assets to match those records.

Client Response 1

Management is studying various property record and identification systems to help better manage identification and disposition of fixed assets.

To the Board of Directors  
Lincoln General Hospital, Inc.  
Page 2

### Finding 2

A review of EDP and disaster recovery control procedures revealed that there is no off-site storage for computer backup files.

### Recommendation 2

We recommend that all daily backup files continue to be kept in a fireproof safe. We further recommend that weekly, monthly, and year-end files be properly labeled and stored off premises.

### Client Response 2

Management is presently evaluating options in regard to this recommendation and expects to modify backup systems in the current year.

### Finding 3

The Medicare Cost Report prepared at the end of each fiscal year is a final accounting prepared under complex Medicare/Medicaid regulations. This report produces a cash settlement either due to or from the fiscal intermediary for the difference in allowable costs under these regulations and the total amount paid to the Hospital for all Medicare/Medicaid patient claims for the entire year. A great deal of accounting and statistical data flows into the cost report from all departments of the Hospital. Accurate and complete information is essential to the preparation of the cost report so that the Hospital receives all of the cost reimbursement to which it is entitled.

Most of the accounting and statistical data required for the cost report is prepared and tabulated at the end of each fiscal year.

### Recommendation 3

We recommend that the development of the accounting and statistical data needed for the cost report be prepared and tabulated on an ongoing monthly/quarterly basis to facilitate and ensure the preparation of an accurate cost report at year end.

To the Board of Directors  
Lincoln General Hospital, Inc.  
Page 3

Client Response 3

Management agrees the monthly/quarterly accumulation of data would be helpful in cost report preparation. However, this would also likely necessitate the addition of a part-time staff person. The benefit of monthly/quarterly tabulation of cost report data versus the cost of compiling the data on a monthly/quarterly basis will be evaluated during the current year.

Status of Prior Findings

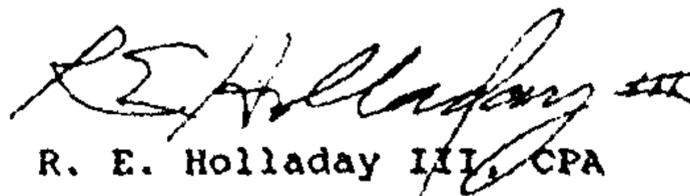
Findings 1, 2 & 3 were cited in the prior year audit.  
All other prior findings have been satisfactorily resolved.

Compliance with Laws & Regulations

Status of Prior Findings

All prior compliance findings have been corrected.

This report is intended solely for the information and use of the Board of Directors, management, and state and federal audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

  
R. E. Holladay III, CPA

Ruston, Louisiana  
August 5, 1994